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STATE FOR WHA/CAR BPREMONT, WHA/PPC KSTIANSEN

E.O. 12958: N/A
TAGS: PREL PGOV EIND USAID DR
SUBJECT: SCENE-SETTER FOR SENATOR GILLIBRAND
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¶1. (SBU) As much general information has been provided to the Senatorial Delegation Gillibrand about the Dominican Republic (DR), this scene-setter will focus on key issues relevant to the visit: Education, Dominican emigrant issues and economics, as well as the meeting with President Fernandez.

Education

¶2. (SBU) Dominican law mandates that four percent of GDP be spent on education but actual expenditures are less than two percent. Testing in 2005 showed that Dominican students consistently scored two years behind all other Latin American countries in reading and mathematics. Children spend an average of just 2.5 hours a day in school, and teachers are often under-qualified. The DR's failure to invest in its people and its poor "control of corruption" scores are major reasons why the country has not been able to join the Millennium Challenge Corporation (MCC) process. The current Secretary of Education (Melanio Paredes) has expressed support for USAID's programs to promote teachers' capacities.

Dominican Emigrant Issues

¶3. (SBU) There are some 9 million Dominicans, of whom about 1 million live in the United States, many in the New York area.   The U.S. Consular Section in the Dominican Republic handles the third-highest volume of immigrant visas in the world (trailing only China and Mexico), and provides American Citizen Services to approximately 100,000 U.S. citizens living in the Dominican Republic.

¶4. (SBU) In 2008, Dominicans working abroad sent back $3.045 billion dollars (down from $3.11 billion in 2007), with about half from the United States. Given the global downturn, remittances have fallen dramatically in recent months with predictions that the total will be 10 percent less in 2009 than 2008. Multilateral organizations have focused efforts to reduce the costs of international cash transfers over the past decade, and the costs of sending remittances have fallen significantly. The Inter-American Development Bank has worked with the BHD bank in the Dominican Republic to reduce the costs of remittances received in the Dominican Republic.

Economics

¶5. (SBU) The United States is the Dominican Republic's biggest trading partner and bilateral trade totals some $9 billion per year. Thanks to CAFTA-DR, progress has been made on several fronts (including increased foreign direct investment and more robust enforcement of labor and environmental standards), but lack of transparency in certain areas has meant that the Dominican Republic has yet

to take full advantage of the agreement. U.S. Embassy Santo
Domingo continues to work with the Dominicans to develop
trade-capacity.

¶6. (SBU) The country's fiscal situation is fragile and the
GODR is searching for ways of raising revenue. The private
sector and even members of the President's cabinet have urged
the GODR to sign a stand-by agreement with the IMF, but
President Fernandez has refused. The GODR plans instead to
issue over $1 billion in sovereign bonds. The private sector
is also concerned by the recent announcement of a plan to
sell 49 percent of the country's sole oil refinery to the
Venezuelan state oil company, PDVSA.

Meeting with President Fernandez

¶7. (SBU) President Fernandez is still fairly popular, but
some observers think he failed to seize an opportunity some
years ago to crack down on corruption and narco-trafficking,
even as he succeeded in establishing macro-economic
stability. Much time and political capital is being spent
these days on Fernandez's proposed constitutional reforms,
even though he will likely be barred from running again in
2012 (as part of a recent deal with the opposition to approve
a provision of the new constitution -- still to be endorsed
by the Dominican Congress -- that would eliminate consecutive
presidential reelection, but allow non-consecutive
re-election). Observers have expressed concern that these
constitutional reforms will increase executive branch powers
in what is already a "presidentialist" system marked by
significant clientelism.

¶8. (SBU) The meeting with President Leonel Fernandez will be
a short courtesy call. He may raise any of the following
issues:
a)   Remittances
b)   DR Consulates in US
c)   Rule of Law (counter-narcotics assistance, deportees,
pre-clearance facility for DHS)

¶9. (SBU) As for remittances, please see Emigrant Issues,
above. Items (b) consulates and (c) deportees and a
pre-clearance facility were raised, inter alia, in a letter
presented by new Dominican Ambassador to the United States,
Roberto Saladin, along with his credentials, to President
Obama. The State Department is still reviewing these
requests, but is unaware of any USG plans to open any further
pre-clearance facilities overseas. (Note: Seven Dominican
consulates in the United States were closed in 2003 due to
problems with improper accreditation and misuse of diplomatic
privileges by the Dominican diplomatic corps; as recently as
December 2008 a vice consul was arrested on charges of alien
smuggling. With respect to counter-narcotics, our bilateral
cooperation remains good. While we are sometimes criticized
for not providing enough assistance, the Dominicans have just
signed a letter of agreement to receive the first $2.5
million in Merida Initiative funding for FY 2008; they are
aware that another $ 2.5 million has been allocated for the
Dominican Republic for FY 2009; and they are also included in
discussions with regional partners for the development of the
new Caribbean Basin Security Initiative. End Note.)

UASD Visit

¶10. (SBU) The Autonomous University of Santo Domingo (UASD)
has roots going back to 1538, making it the oldest university
in the Americas. Some 50 teachers from the Hostos Community
College and UASD Rector Dr. Franklin Garcia Fermin will
attend.
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